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no. 9

June 68

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# Cooperatives and their Business Neighbors

A Slide Presentation Script



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**FARMER COOPERATIVE SERVICE  
U.S. DEPARTMENT OF AGRICULTURE  
WASHINGTON, D.C. 20250**

**Farmer Cooperative Service conducts research; advises directly with cooperative leaders and others; promotes cooperative organization and development through other Federal and State agencies; and publishes results of its research, issues News for Farmer Cooperatives, and other educational material.**

**This work is aimed (1) to help farmers get better prices for their products and reduce operating expenses, (2) to help rural and small-town residents use cooperatives to develop rural resources, (3) to help these cooperatives expand their services and operate more efficiently, and (4) to help all Americans understand the work of these cooperatives.**

**Educational Aid 9**

**June 1968**

# Cooperatives And Their Business Neighbors— A Slide Presentation Script

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Ideas for narration and slides for a live presentation given in this publication cover the three ways of organizing to do business in the American private enterprise system. They also describe the relationship between business neighbors in your community. Slides<sup>1</sup> will help the audience remember better for they can see as they hear.

This material is presented to help teachers of vocational education, economics, social studies, agriculture, home economics, extension agents, and other adult leaders of youth. It is designed for use in classrooms and before civic groups. Cooperatives can also adapt the material for membership meetings to discuss the role of their organization as a member of the business family in the community.

The story will be more effective if the two speakers become familiar enough with the written material to tell it in their own words.

In addition, speakers will find a survey of firms in their neighborhood develops a better understanding of local business situations. Advisors, leaders, or teachers should guide the survey. It should include various business firms in the area chosen and show how they serve families of the community.

Here are some suggestions for carrying out the survey. Classify firms as to type of organization: Individual ownership, partnership, or corporation—ordinary or cooperative.

Visit at least one firm of each type to determine the following: Who owns the firm? Who selects the manager? Does the firm have a board of directors? If so, how do the stockholders (owners) vote? Is the firm a cooperative? Is it a member of a cooperative? How are profits or savings divided? Under what laws does it operate?

<sup>1</sup> Thirty-five millimeter color slides for use in presenting this program may be obtained from the American Institute of Cooperation, 1200 17th Street, N.W., Washington, D.C. 20036 for \$2.50.

When the speakers have become familiar with the businesses in their area, they can incorporate this information into the guidelines offered in this publication.

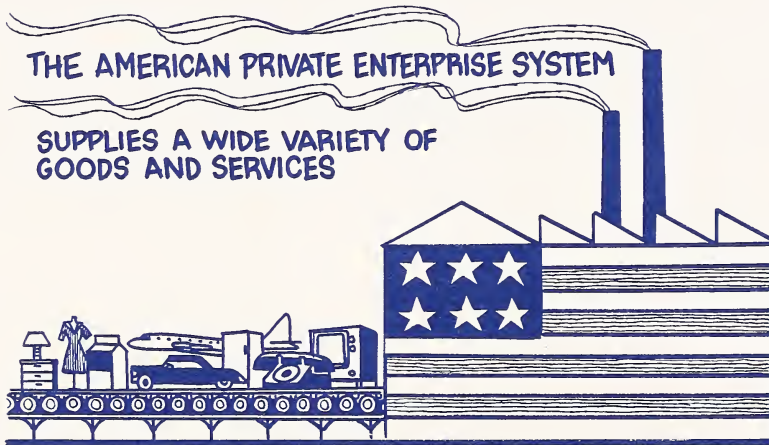
## Narration

*Speaker A* (boy suggested)

(Slide 1) Have you recently looked around our business community? Did you see people buying goods and services in stores? Did you wonder how these business firms are organized? How are they alike and how do they differ in the way they are organized to do business?

*Speaker B* (girl suggested)

To get answers to these questions, we decided to do some research. We studied several community business firms. What we learned has given us a greater appreciation and understanding of our business community. We would like to tell you what we learned.



*Speaker A*

We found business establishments all are part of our American private enterprise system. They are supplying our families and neighbors with a wide variety of goods and services.

Firms like Smith's Drugstore, Jones-Brown Hardware, News Publishing Company, and the Co-op Dairy are all around us.



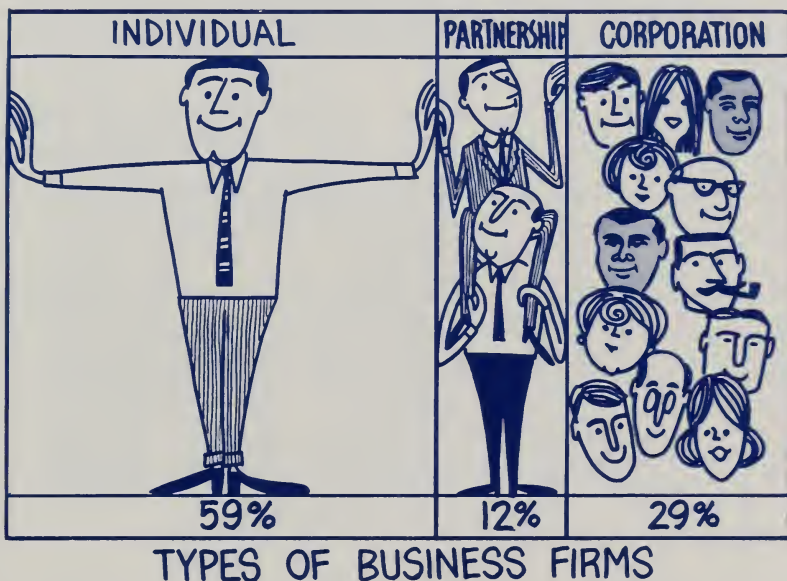
*Speaker B*

(Slide 2) The firms our families patronize seem to fall into three major types.

These types are:

1. Individual ownership
2. Partnership
3. Corporation
  - a. Ordinary corporation
  - b. Cooperative corporation

Note we found two kinds of corporations. Now we want to tell you more about our business firms. Fifty-nine percent are individual firms, 12 percent are partnerships, and 29 percent are corporations.



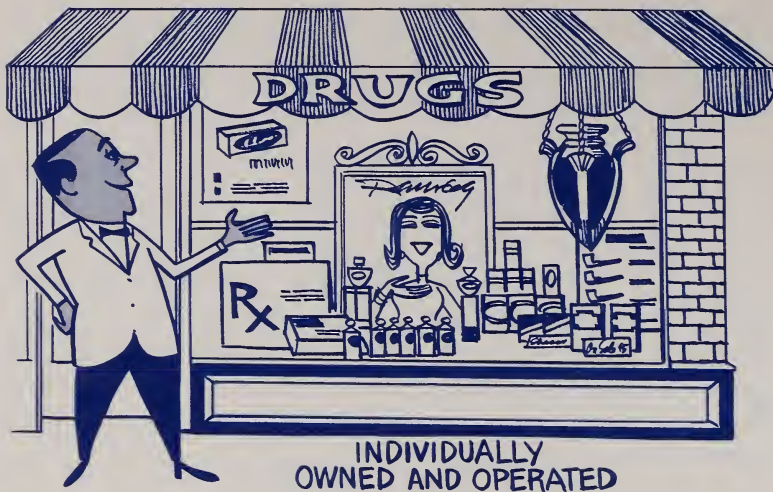
*Speaker A*

(Slide 3) The oldest and most familiar type of business firm is individually owned. In ancient times individuals traded and exchanged goods with their neighbors.

We found ( )<sup>2</sup> examples of this form of business firm in our neighborhood operating as small stores, service stations, garages, sawmills, and others owned and controlled by one person. Individuals, too, own and control most of the farms in the area surrounding our town.

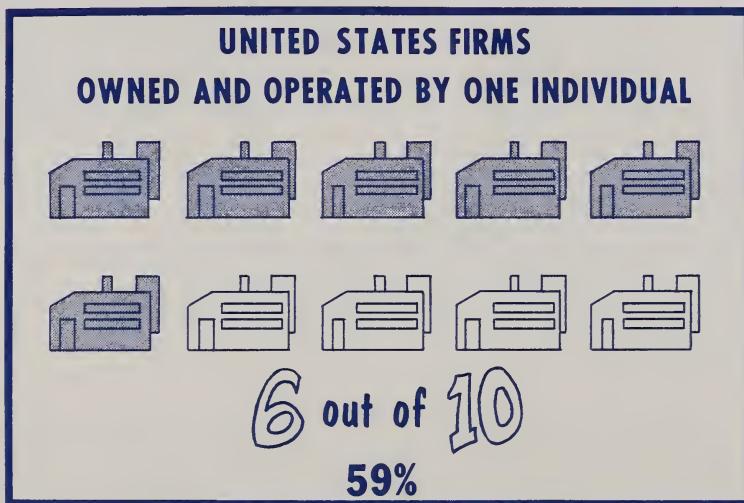
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<sup>2</sup> Insert number of individual business firms found in your survey.



(Slide 4) According to the 1963 United States Census of Business, individual owners operated six out of 10 business establishments in our country.

The individual businessman is solely responsible for making decisions concerning his enterprise and for managing it. As a rule, he also provides the necessary capital.



He alone reaps any profits made or bears any losses. We learned that the individual owner is liable personally for any and all debts of his business enterprise.



Finally, we learned that when the owner of an individual enterprise dies, the firm ceases to exist unless provision has been made to pass it to someone else.

*Speaker B*

(Slide 5) Two or more individuals jointly own some ( )<sup>3</sup> of the business firms in our survey. These are called partnerships. As business enterprises grow, the individual businessman may need help. To get this help, he may take a partner.

Partners pool their capital, time, and knowledge. In this way they may be able to conduct a business more profitably than either can alone. The most numerous examples of partnerships are law firms and family agreements such as father and son arrangements.



PARTNERSHIP FIRMS ARE OWNED AND OPERATED  
BY TWO OR MORE INDIVIDUALS

(Slide 6) The business census reveals that about one out of eight business firms falls into the partnership category.

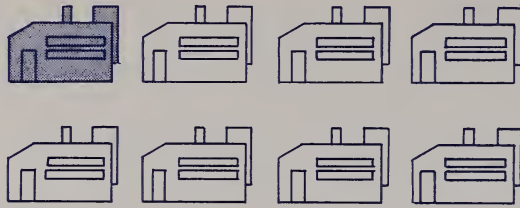
As joint owners, partners must agree upon the policy of their business firm. They usually work actively in the day-to-day operation of their firm. The partners divide any profits or losses from the partnership operations along the line of the partnership agreement. Usually this works out on a basis of how much time and money each has invested.

Each partner is liable for any debts the partnership has

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<sup>3</sup> Insert number of partnerships found in survey.

## UNITED STATES FIRMS OWNED AND OPERATED AS PARTNERSHIPS



1 out of 8  
12%

in its business operation. In case of death or retirement of a partner or the addition of a new partner, a financial settlement must be made and a new partnership agreement drafted.

### *Speaker A*

(Slide 7) We found ( )<sup>4</sup> incorporated business firms, called corporations, in our area. As mentioned earlier, there are two kinds of corporations—ordinary corporations and cooperative corporations. While these corporations do not



<sup>4</sup> Insert number of corporations found in survey.

represent the largest number of establishments they do by far the largest total volume of business.

As business firms grow, the financial demands become greater and management more complicated. The Greeks and Romans recognized these business limitations hundreds of years ago. To solve the problem, they created an artificial businessman called a corporation.

A corporation is a group of persons empowered by law to act as a single person. When businessmen want to form a corporation, they file articles of incorporation—usually with the State government. Articles are statements of the kind and scope of business the corporation will perform.

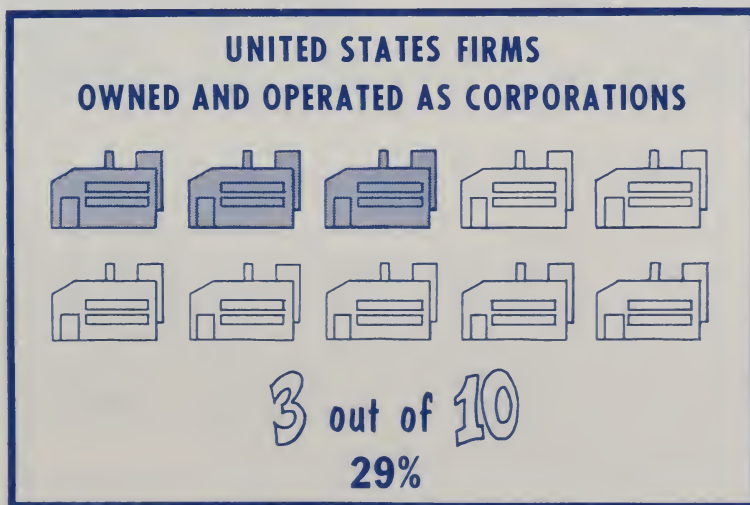
If the articles meet the requirements of laws governing corporations, the State gives the new corporation permission to function by issuing a charter.

### *Speaker B*

(Slide 8) According to the 1963 business census, about three out of 10 business establishments in our country were corporations.

The corporation—an artificial businessman created by the State—overcomes certain partnership limitations. The charter gives it legal permanence. Owners, called stockholders, may leave or be added without affecting continuing operations.

The corporation may own property just like a real person. This property is wholly separated from individual property owned by stockholders. In general, corporations rather than individual stockholders assume any liabilities of the firm.





*Speaker A*

(Slide 9) A board of directors, elected at the annual stockholders meeting, decides corporation policy. Policy decisions of the directors must be in harmony with rights conferred by the charter.\*

The board of directors employs key officials to manage the corporation in line with policy laid down by the board. These officials also report to the board on how the corporation is meeting its goals and objectives. Key officials hire the operating employees.

Stockholders in ordinary corporations have as many votes as shares of voting stock they own. These stockholders receive dividends in proportion to their shares. The only limit on these dividends is the net margin above the reserve funds that may be withheld for business expansion.

As part owners of ordinary corporations, stockholders are investors. They do not necessarily buy its products or use its services.

DIRECTORS: ELECTED BY STOCKHOLDERS  
DECIDE POLICY  
EMPLOY KEY OFFICIALS



*Speaker B*

(Slide 10) Some ( )<sup>5</sup> corporations we surveyed were organized as cooperative corporations. These cooperative corporations organized to help their owners market products, acquire supplies, or obtain needed services better than they could by acting individually. Examples of services cooperatives often provide include credit, housing, medical care, electricity, telephone, and insurance.

<sup>5</sup> Insert number of cooperatives found in survey.

in the United States  
1 out of 40 corporations  
is a cooperative

The cooperative corporation has had its greatest development in the United States since 1920. In terms of numbers, cooperative corporations constitute 1 out of 40 of all corporations in our United States.

We found cooperative corporations are well-established, going concerns, and are an important element in our business community. In contrast to other business firms established to make profits, cooperative member-patrons are both owners and users of the cooperative. These owners tailor cooperative services to their needs.

*Speaker A*

(Slide 11) This different relationship has led to certain widely recognized cooperative characteristics. Three of these are important.

## BASIC COOPERATIVE CHARACTERISTICS

1. member control
2. operations at cost
3. limited returns on capital



*The first characteristic* is democratic, member control—control by people using the cooperative. In most instances each cooperative member, regardless of how much stock he owns or how much he uses the cooperative, has one vote. In some instances he votes according to volume of business conducted with the cooperative—number of cows, or trees, for example. Members use this vote to elect a board of directors. These directors decide policy and hire a manager.

*The second characteristic* stresses operations at cost. Cooperatives achieve this by allocating any excess of revenue over expenses to the patrons on a patronage basis. This is called a patronage refund.

If, after paying costs and reserves, money is left over from charges to members for goods or services, the cooperative divides this money among patrons in proportion to the amount of business each transacted with the cooperative. At least 20 percent of refund must be returned to patrons in cash. Remaining portions may be credited to patrons but retained by the cooperative to provide additional capital. Directors decide how the patronage refund is computed, when it is distributed, and the form of the refund.

#### *Speaker B*

*The third characteristic* is to limit returns on capital. Members receive interest type payments limited to 8 percent or less for capital invested in their cooperative. Thus the cooperative may pay interest on member investments as one of the costs of doing business. Restrictions on investment returns discourages persons taking advantage or control of cooperatives for their own personal gain. Many cooperatives do not pay interest on member capital invested.

These three characteristics—democratic member-patron control, services at cost, and limited returns on invested member capital—distinguish cooperatives from ordinary corporations.

#### *Speaker A*

(Slide 12) Various types of business firms have developed and expanded in our community to meet the needs of all people. These business firms all have a place, and they all have responsibilities.

We could use any number of products, such as milk, meat, clothes, newspaper, automobiles, or a loaf of bread to show how all types of business firms play important roles in production and distribution. We chose bread.

## NEIGHBORS

*Businesses meet needs of people*



### *Speaker B*

One of America's most numerous businessmen, the individual farmer, grows the wheat to produce the bread. He harvests the grain with a combine assembled in a corporation plant. A business firm which may be any one of the three types we are discussing sells the combine to the farmer.

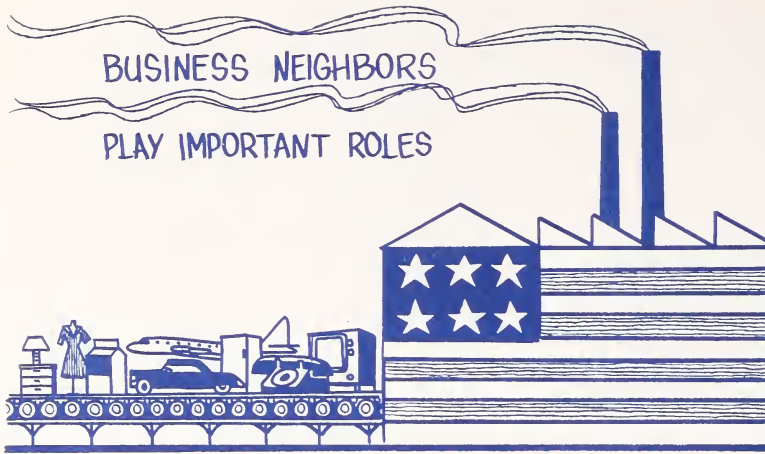
An elevator operated by any one of the three business types stores the wheat and sells it. Chances are 4 out of 10 that it is a cooperative elevator. The mill which grinds the wheat into flour may be operated by an individual, a partnership, or a corporation. A bakery which may be any one of three types of firms uses the flour to make the bread.

Where did we buy the loaf of bread? If we bought it in a chain store, we purchased it through an ordinary corporation. If we bought the bread from the individual or partnership grocery down the street, the store could well have obtained the loaf through a cooperative purchasing organization of which the store is a member. Or we could have bought the bread in a co-op grocery.

### *Speaker A*

(Slide 13) Other products also show how various types of business firms provide services from producer to consumer. These products, like our example of wheat to bread, demonstrate how all business neighbors share the right to operate through services they offer the consuming public.

Individuals, partnerships, or ordinary corporations organize to sell goods and services to the general public. Cooperative corporations organize to supply goods and services to members. All types of business firms work side by side in supplying our family needs.



*Speaker B*

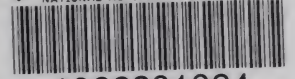
Over the years the business firms in our community have responded to needs for goods and services. Individual business firms have grown and new types have developed. This evolutionary process has made it possible to meet demands of changing times.

Individual firms continue as the most numerous type. Partnerships replace individually owned establishments as enterprises grow. When further expansion requires more stability and makes greater financial demands, State laws permit the creation of an artificial businessman, called a corporation.

*Speaker A*

All three types of business firms help direct the flow of goods and services from producers to consumers. As business neighbors they all play important roles.

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